



Date: December 15, 2004
To: CalPERS Covered Employees
From: Kevin Boylan, Director of Human Resources /s/
Subject: Information Regarding Additional Retirement Service Credit (Air-Time)

Assembly Bill 719 allows eligible CalPERS members to purchase additional service credit (one to five years) that can be applied toward retirement benefits. This legislation became effective on January 1, 2004. This memo is intended to clarify some of the issues surrounding the purchase of Additional Retirement Service Credit (ARSC) a.k.a "Air-Time".

ELIGIBILITY

To be eligible to purchase ARSC, you must be a CalPERS member in compensated employment with a CalPERS-covered employer and have at least five years of earned service credit at the time your request for the cost information is made.

AMOUNT OF TIME PURCHASED

You may buy from one to five years of additional service credit. Credit must be in whole year increments and only one election to purchase can be made.

CERTIFICATION OF PAST EMPLOYMENT

Although federal law does not require that this service credit be based on actual employment, it does associate service credit with employment if the service is being purchased with after-tax funds and some pre-tax funds. Acceptable service is any compensated employment that has not been credited under the CalPERS plan. While you are not required to provide documentation of this employment with your certification, it may be required in the future should federal guidelines be issued that require documentation.

COST

Employees are required to pay the entire cost for the future projected increase in benefit from service credit purchases. CalPERS uses "actuarial assumptions" to determine the cost of the service credit. **These "actuarial assumptions" will be changing effective December 30, 2004 for ARSC purchases as well as for most other service credit purchases.** The current actuarial assumptions can be "locked-in" for an employee as long as the request is received by CalPERS before December 30, 2004. It is important that you are aware of this before you make a service credit purchase, since that decision is **irrevocable**. Different actuarial assumptions apply to members in different situations, so it is not possible to make a general assumption as to whether these changes will result in an increase or decrease of the cost to you personally. The CalPERS On-Line Web Site (www.calpers.ca.gov) has a Service Credit Cost Estimator that provides an estimated cost of purchasing ARSC. This calculator has been updated to provide costs under both the current and new actuarial assumptions.

PURCHASE REQUEST PROCESS

Requests for service credit cost information for ARSC should be submitted using the form available on the CalPERS Web Site. The request form has a checkbox so you can indicate if you want the current assumptions or the new assumptions. You are also required to get an online cost estimate for additional service credit by using the Service Credit Cost Estimator. If you decide to make the request to CalPERS for a cost quote, mail your form to CalPERS, along with a copy of your online service credit cost calculation results. **If retiring, your request for the cost information must be received by CalPERS prior to the effective date of your retirement.** CalPERS will be mailing out instructions to those who already submitted requests that have not yet been processed. Due to the current volume of requests, delays are occurring and CalPERS is not able to provide the exact date as to when requests will be processed. For the latest status on purchase request processing, access the CalPERS Website.

PAYMENT OPTIONS

You have the following payment options: 1) installment payments; 2) partial payment with installment payments; or 3) lump sum payment. Installment payments can be done on either a pre-tax or after-tax basis. Procedures for lump sum payments vary depending upon the status of the employee. **Current employees may not use 457 Plan assets to purchase ARSC** due to the fact that CalPERS does not have an IRS ruling that would permit the use of 457 Plan assets to purchase ARSC when an employee is actively working. Consequently, at this time the City **is not** processing plan-to-plan transfers. Permitting the use of 457 Plan assets in the absence of the IRS ruling would subject the entire plan to disqualification. Employees will be notified if the IRS subsequently permits these plan-to-plan transfers. The decision not to allow plan-to-plan transfers does not affect 457 Plan transfers to purchase ARSC **after** separation from employment. The City will certify the transfer only after an employee has "officially" separated from employment. Please remember that to purchase ARSC, the request for the cost information has to be received by CalPERS prior to your separation date.

FURTHER INFORMATION

For more detailed information on ARSC, or to use the CalPERS On-Line Service Credit Cost Estimator, please visit the CalPERS Web Site at www.calpers.ca.gov. Log on as "For Members," follow the log-on prompts and select "Service Credit" for a menu of additional links. You may also visit the Human Resources Intranet Site, as well as contact Mary Eme, Retirement Counselor, at (562) 570-6703.

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ARSCemp7

cc: Gerald R. Miller, City Manager
Christine Shippey, Asst City Manager
Reggie Harrison, Deputy City Manager
Suzanne Mason, Deputy City Manager
Department Heads
Departmental Administrative Officers
Departmental PPA's